

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Beaver Township	County Bay
Audit Date 03/31/2005	Opinion Date 07/08/2005	Date Accountant Report Submitted to State: 09/30/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

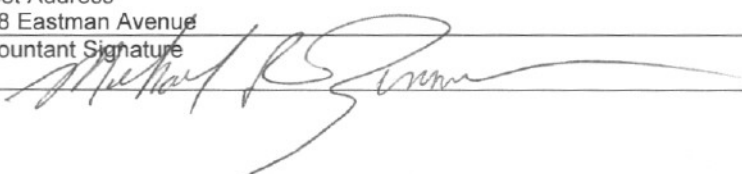
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo PC CPA's			
Street Address 6018 Eastman Avenue	City Midland	State MI	ZIP 48640
Accountant Signature 			

**Beaver Township**  
**Bay County, Michigan**  
**Annual Financial Statements**  
**and**  
**Auditors' Report**  
**March 31, 2005**

## Table of Contents

<u>Section</u>	<u>Page</u>
1 <b>List of Elected and Appointed Officials</b>	1 – 1
2 <b>Independent Auditors' Report</b>	2 – 1
3 <b>Management's Discussion and Analysis</b>	3 – 1
4 <b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	4 – 1
Statement of Activities	4 – 2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 – 3
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	4 – 4
Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 6
Fiduciary Funds	
Statement of Assets and Liabilities	4 – 7
Notes to Financial Statements	4 – 8

<u>Section</u>	<u>Page</u>
5	<b>Required Supplemental Information</b>
	Budgetary Comparison Schedule
	General Fund
	Fire Fund
	5 – 1
	5 – 4
6	<b>Other Supplemental Information</b>
	Schedule of Indebtedness
	6 - 1

**Beaver Township**  
**List of Elected and Appointed Officials**  
**March 31, 2005**

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Township Board

Ron Robbins - Supervisor

Robert Mieske - Treasurer

Richard Charbeneau - Clerk

Jerome Grzegorzczuk - Trustee

Nick Tomczak-Trustee



6018 Eastman Avenue  
Midland, MI 48640  
Phone (989) 631-6060 / (800) 701-3574  
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## **Independent Auditors' Report**

To the Township Board  
Beaver Township  
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund information of Beaver Township as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and, each major fund information of Beaver Township as of March 31, 2005 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of March 1, 2004.

The management’s discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Beaver Township’s the basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

July 8, 2005

Midland, Michigan

# Beaver Township Management's Discussion and Analysis For the Year Ended March 31, 2005

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Beaver Township (the "Township"), Michigan is in its first year of implementation of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Township's management's discussion and analysis of the financial results for the fiscal year ended March 31, 2005.

This is the first financial report presented in the format required by the Governmental Accounting Standards Board (GASB) in their Statement Number 34 issued in June of 2000. Certain comparative information, ordinarily required, is not available the first year that the financial statements are prepared according to GASB 34 guidelines. Subsequent reports will include a prior year comparison of results.

## Overview of Financial Statements

The annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and other supplemental information. Generally Accepted Accounting Principles (GAAP) according to GASB 34 now requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

### Government-wide Financial Statements:

The Government-wide statements are new and provide a perspective of the Township as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two Government-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental fund current financial resources (short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of the various townships' services.

When analyzed together, the two statements help the reader determine whether the Township is financially stronger or weaker as a result of the year's activities.

## Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into two categories: governmental funds and fiduciary fund.

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance).



**Beaver Township  
Management's Discussion and Analysis  
For the Year Ended March 31, 2005**

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Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and fire protection funds, each of which are considered to be a major fund

The Township adopts an annual appropriated budget for both funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

#### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, and other supplemental information concerning Township's indebtedness, concerning budgetary information for the Township's major funds.

#### **SUMMARY OF NET ASSETS:**

##### **Township's Net Assets**

The following summarizes the Township's net assets at fiscal year ended March 31, 2005.

Assets	
Current assets	\$ 433,538
Capital assets	668,874
Less accumulated depreciation	<u>(196,179)</u>
Total capital assets	<u>472,695</u>
Total assets	<u>906,233</u>
Liabilities	
Current liabilities	130,656
Long-term liabilities	<u>809,827</u>
Total liabilities	<u>940,483</u>
Net assets	
Investment in capital assets, net of related debt	232,212
Unrestricted	<u>(266,462)</u>
Total net assets	<u>\$ (34,250)</u>

# Beaver Township Management's Discussion and Analysis For the Year Ended March 31, 2005

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$38,802.

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of Beaver Township, liabilities exceeded assets by \$34,250.

A portion of the Township's net assets reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## Township's Changes in Net Assets

### Revenues:

Program revenue	
Charges for services	\$ 219,799
Capital grants and contributions	7,446
General revenue:	
Property taxes	326,335
State shared revenue	207,972
Interest and investment earnings	4,519
Miscellaneous	54,534
	<hr/>
Total revenues	\$ 820,605

### Expenses:

General government	\$ 113,992
Public safety	91,161
Public works	504,949
Community and Economic Development	15,953
Recreation and culture	4,351
Other	51,397
	<hr/>
Total expenses	781,803
Change in net assets	38,802
Net assets - beginning	(73,052)
	<hr/>
Net assets - ending	\$ (34,250)

## Governmental activities

The Township's total governmental revenue decreased by \$4,951 from last fiscal year. This was primarily attributed to a decrease in water line deposits of \$35,316, equipment sales of \$16,120 which were partially offset by an increase in property taxes of \$38,286. Expenses increased by approximately \$120,000. The increase was attributable to a \$90,000 increase on spending for roads and a \$25,000 increase in debt payments on the water line bonds.

## Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$433,538, a decrease of \$81,189 in comparison with the prior

# **Beaver Township Management's Discussion and Analysis For the Year Ended March 31, 2005**

year. 100% of the \$433,538 fund balance constitutes unreserved fund balance, which is available for spending at the Township's discretion.

The general fund is the main operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$75,793. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 43% of total general fund expenditures.

The fund balance of the General Fund decreased by \$97,001 during the current fiscal year. This is primarily attributable to increase in expenses to Bay County Road Commission for roads repairs and maintenance.

The fund balance of the Fire Protection Fund increased by \$15,812 during the current fiscal year due to decreased spending on equipment.

## **General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Differences between the original and final amended budgets were relatively minor.

## **Capital Assets and Debt Administration:**

### **Capital Assets**

The Townships investment in capital assets for its governmental activities as of March 31, 2005, amounted to \$472,695 (net of accumulated depreciation). Investment in capital assets included land, buildings, and equipment.

	Balance April 1, June 26, 1905	Additions	Disposals	Balance March 31, July 23, 1900
Capital assets not being depreciated				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated				
Buildings and improvements	118,500	-	-	118,500
Furniture and equipment	-	15,500	-	15,500
Vehicles	524,874	-	-	524,874
Capital assets	653,374	15,500	-	668,874
Less:				
Accumulated depreciation	(171,096)	(25,083)	-	(196,179)
Governmental activities capital assets, net	\$ 482,278	\$ (9,583)	\$ -	\$ 472,695

**Beaver Township  
Management's Discussion and Analysis  
For the Year Ended March 31, 2005**

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**Long-term Debt**

At the end of the current fiscal year, the Township had total long-term debt outstanding of \$940,483.

	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005
Water bonds payable	\$ 800,000	\$ -	\$ 100,000	\$ 700,000
Fire truck not payable	270,057	-	29,574	240,483
	<u>\$ 1,070,057</u>	<u>\$ -</u>	<u>\$ 129,574</u>	<u>\$ 940,483</u>

**Request for Information**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township Clerk's office at Beaver Township, Bay County, Michigan.

**Economic Factors and Next Year's Budget**

The following factors were considered in preparing the Township's budget for the 2005-2006 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in economy. For 2004-2005 the Township received \$207,972 in state shared revenue, representing 31% of the revenue in the General Fund. The amounts of the state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

**Beaver Township**  
**Statement of Net Assets**  
**March 31, 2005**

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**Assets**

Cash and cash equivalents	\$ 244,348
Receivables	
Taxes	38,286
Customers	1,111
Other receivables	149,793
Capital assets, net	<u>472,695</u>
 Total assets	 <u>906,233</u>

**Liabilities**

Noncurrent liabilities	
Due within one year	130,656
Due in more than one year	<u>809,827</u>
 Total liabilities	 <u>940,483</u>

**Net Assets**

Invested in capital assets, net of related debt	232,212
Unrestricted	<u>(266,462)</u>
 Total net assets	 <u><u>\$ (34,250)</u></u>

**Beaver Township**  
**Statement of Activities**  
**For the Year Ended March 31, 2005**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
<b>Primary government</b>					
Governmental activities					
General government	\$ 113,992	\$ -	\$ -	\$ -	\$ (113,992)
Public safety	91,161	74,198	-	7,446	(9,517)
Public works	504,949	145,601	-	-	(359,348)
Community and economic development	15,953	-	-	-	(15,953)
Recreation and culture	4,351	-	-	-	(4,351)
Interest on long-term debt	51,397	-	-	-	(51,397)
	<u>51,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,397)</u>
Total governmental activities	<u>\$ 781,803</u>	<u>\$ 219,799</u>	<u>\$ -</u>	<u>\$ 7,446</u>	<u>(554,558)</u>
General revenues					
Property taxes					326,335
State shared revenue					207,972
Unrestricted investment earnings					4,519
Miscellaneous					<u>54,534</u>
Total general revenues and transfers					<u>593,360</u>
Change in net assets					38,802
Net assets - beginning of year					<u>(73,052)</u>
Net assets - end of year					<u>\$ (34,250)</u>

**Beaver Township  
Governmental Funds  
Balance Sheet  
March 31, 2005**

		Special Revenue Fund	
	General	Fire Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 213,833	30,515	\$ 244,348
Receivables			
Taxes	31,215	7,071	38,286
Customers	1,111	-	1,111
Due from other funds	<u>129,634</u>	<u>21,998</u>	<u>151,632</u>
 Total assets	 <u><u>\$ 375,793</u></u>	 <u><u>\$ 59,584</u></u>	 <u><u>\$ 435,377</u></u>
<b>Liabilities</b>			
Due to other funds	<u>\$ -</u>	<u>\$ 1,839</u>	<u>\$ 1,839</u>
<b>Fund Balances</b>			
Unreserved, reported in:			
General fund	375,793	-	375,793
Special revenue funds	<u>-</u>	<u>57,745</u>	<u>57,745</u>
 Total fund balances	 <u>375,793</u>	 <u>57,745</u>	 <u>433,538</u>
 Total liabilities and fund balances	 <u><u>\$ 375,793</u></u>	 <u><u>\$ 59,584</u></u>	 <u><u>\$ 435,377</u></u>

**Beaver Township  
Governmental Funds  
Reconciliation of Fund Balances of Governmental Funds  
to Net Assets of Governmental Activities  
March 31, 2005**

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<b>Total fund balances for governmental funds</b>	\$ 433,538
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	472,695
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(940,483)</u>
<b>Net assets of governmental activities</b>	<u>\$ (34,250)</u>



**Beaver Township**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended March 31, 2005**

	General	Special Revenue Fund <u>Fire Fund</u>	Governmental Funds Total
<b>Revenues</b>			
Taxes	\$ 216,806	\$ 109,529	\$ 326,335
Licenses and permits	38,452	-	38,452
Federal grants	-	7,446	7,446
State revenue sharing	207,972	-	207,972
Charges for services	217,424	2,375	219,799
Interest income	4,422	97	4,519
Other revenue	14,588	1,494	16,082
	<u>699,664</u>	<u>120,941</u>	<u>820,605</u>
Total revenues			
<b>Expenditures</b>			
Current			
General government	92,625	-	92,625
Public safety	27,497	41,877	69,374
Public works	495,120	-	495,120
Community and economic development	15,953	-	15,953
Recreation and culture	4,351	-	4,351
Other functions	18,071	-	18,071
Capital outlay	1,848	23,481	25,329
Debt service			
Principal retirement	100,000	29,574	129,574
Interest and fiscal charges	41,200	10,197	51,397
	<u>796,665</u>	<u>105,129</u>	<u>901,794</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(97,001)	15,812	(81,189)
Fund balance - beginning of year	472,794	41,933	514,727
Fund balance - end of year	<u>\$ 375,793</u>	<u>\$ 57,745</u>	<u>\$ 433,538</u>

**Beaver Township  
Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended March 31, 2005**

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**Net change in fund balances - Total governmental funds** \$ (81,189)

Total change in net assets reported for governmental activities in the statement of activities  
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those  
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (25,083)

Capital outlay 15,500

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in  
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not  
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds  
but reduces the liability in the statement of net assets.

Repayments of long-term debt 129,574

**Change in net assets of governmental activities** \$ 38,802

**Beaver Township  
Fiduciary Funds  
Statement of Assets and Liabilities  
March 31, 2005**

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	Tax Collection Fund
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 149,793</u>
<b>Liabilities</b>	
Due to other funds	<u>\$ 149,793</u>

**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2005**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

Beaver Township is governed by an elected five-member Board.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are

recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the revenue and expenditures of the government's fire protection and emergency rescue activities.

**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2005**

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Additionally, the government reports the following:

Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other governmental units.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

**Deposits**— Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Receivables and payables** — In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2004 taxable valuation of the government totaled \$60,158,770, on which ad valorem taxes consisted of 4.6520 mills for operating purposes. This resulted in \$279,858 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

**Capital assets** — Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Vehicles	25 years
Machinery and equipment	5 to 7 years

**Long-term obligations** — In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2005**

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Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative data**

Comparative data is not included in the Township's financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary information**

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and Fire Fund. All annual appropriations lapse at fiscal year end.

Prior to March 1, the Township Supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are held to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

The Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Public Works	492,000	495,120	3,120
Parks & Recreation	2,000	4,351	2,351
Other Functions	13,400	18,077	4,671
Fire Fund	97,000	105,129	8,129

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The governing body has designated one bank for the deposit of local unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State

**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2005**

statutory authority as listed above.

	Cash and Cash Equivalents
Governmental activities	\$ 244,348
Fiduciary funds	<u>149,793</u>
Total	<u>\$ 394,141</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts, certificates of deposit)	<u>\$ 244,348</u>	<u>\$ 149,793</u>

### Deposits

The bank balance was \$ 423,349 at year end. Of the bank balance, \$ 200,000 was covered by federal depository insurance and \$ 223,349 was uninsured and uncollateralized.

### NOTE 4 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total capital assets not being depreciated	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Capital assets being depreciated				
Buildings, additions and improvements	118,500	-	-	118,500
Machinery and equipment	-	15,500	-	15,500
Vehicles	<u>524,874</u>	<u>-</u>	<u>-</u>	<u>524,874</u>
Total capital assets being depreciated	<u>643,374</u>	<u>15,500</u>	<u>-</u>	<u>658,874</u>
Less accumulated depreciation for				
Buildings, additions and improvements	63,200	2,963	-	66,163
Machinery and equipment	-	1,125	-	1,125
Vehicles	<u>107,896</u>	<u>20,995</u>	<u>-</u>	<u>128,891</u>
Total accumulated depreciation	<u>171,096</u>	<u>25,083</u>	<u>-</u>	<u>196,179</u>
Net capital assets being depreciated	<u>472,278</u>	<u>(9,583)</u>	<u>-</u>	<u>462,695</u>
Governmental activities capital assets, net	<u>\$ 482,278</u>	<u>\$ (9,583)</u>	<u>\$ -</u>	<u>\$ 472,695</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 3,296
Public safety	<u>21,787</u>
Total governmental activities	<u>\$ 25,083</u>

**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2005**

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**NOTE 5 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency	\$ 127,795
General	Fire	1,839
Fire	Agency	21,997
		<u>\$ 151,631</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) transactions are recorded in the accounting system, and 2) payments between funds are made.



**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2005**

**NOTE 6 - LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds payable									
General obligation bonds									
Water line extension bonds	\$ 1,100,000	2012	5.00 - 5.40%	\$ 100,000	\$ 800,000	\$ -	\$ 100,000	\$ 700,000	\$ 100,000
Installment purchase agreements									
Fire Truck loan - Chemical Bank	335,743	2012	3.79%	\$29,536 - \$38,254	270,057	-	29,574	240,483	30,656
Total bonds payable					<u>\$ 1,070,057</u>	<u>\$ -</u>	<u>\$ 129,574</u>	<u>\$ 940,483</u>	<u>\$ 130,656</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending March 31,	Governmental Activities	
	Principal	Interest
2006	\$ 130,656	\$ 45,316
2007	131,818	39,154
2008	133,023	32,948
2009	134,275	26,596
2010	135,574	20,097
2011-2012	<u>275,137</u>	<u>14,999</u>
	<u>\$ 940,483</u>	<u>\$ 179,110</u>

**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2005**

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**NOTE 7 - RISK MANAGEMENT**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

The Township contributes to a defined contribution retirement plan which covers all members of the Township Board. The amount of contributions is based upon the length of service and amounts of compensation earned. The contributions amounted to \$3,531 for the year ended March 31, 2005.

**NOTE 9 - CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**Beaver Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2005**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 218,000	\$ 218,000	\$ 195,308	\$ (22,692)
Administration fee	26,500	26,500	21,498	(5,002)
Licenses and permits	35,000	35,000	38,452	3,452
State revenue sharing	190,000	190,000	207,972	17,972
Charges for services	148,000	148,000	217,424	69,424
Interest income	8,000	8,000	4,422	(3,578)
Other revenue	9,500	9,500	14,588	5,088
Total revenues	<u>635,000</u>	<u>635,000</u>	<u>699,664</u>	<u>64,664</u>
<b>Expenditures</b>				
General government				
Township board	29,400	29,400	12,226	(17,174)
Supervisor	11,500	11,500	9,316	(2,184)
Clerk	-	13,700	12,255	(1,445)
Board of review	1,200	1,200	285	(915)
Treasurer	17,700	17,700	17,221	(479)
Assessor	9,500	9,500	10,208	708
Elections	2,000	2,000	4,204	2,204
Buildings and grounds	24,300	24,300	25,910	1,610
Cemetery	1,000	1,000	1,000	-
Total general government	<u>96,600</u>	<u>110,300</u>	<u>92,625</u>	<u>(17,675)</u>

**Beaver Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2005**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Public safety				
Police	1,500	1,500	1,401	(99)
Building inspection department	28,000	28,000	26,096	(1,904)
Total public safety	29,500	29,500	27,497	(2,003)
Public works				
Drains	-	-	447	447
Highways, streets and bridges	375,000	375,000	369,224	(5,776)
Street lighting	4,000	4,000	4,099	99
Sanitary land fill	113,000	113,000	121,350	8,350
Total public works	492,000	492,000	495,120	3,120
Community and economic development				
Zoning	15,900	15,900	15,953	53
Recreation and culture				
Parks and recreation	2,000	2,000	4,351	2,351
Other functions				
Insurance and bonds	10,000	10,000	14,540	4,540
Unallocated employee fringe benefits	3,400	3,400	3,531	131
Total other functions	13,400	13,400	18,071	4,671

**Beaver Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2005**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Capital outlay	101,900	101,900	1,848	(100,052)
Debt service				
Principal retirement	100,000	100,000	100,000	-
Interest and fiscal charges	42,000	42,000	41,200	(800)
Total debt service	142,000	142,000	141,200	(800)
Total expenditures	893,300	907,000	796,665	(110,335)
Excess (deficiency) of revenues over expenditures	(258,300)	(272,000)	(97,001)	174,999
Fund balance - beginning of year	472,794	472,794	472,794	-
Fund balance - end of year	<u>\$ 214,494</u>	<u>\$ 200,794</u>	<u>\$ 375,793</u>	<u>\$ 174,999</u>

**Beaver Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Fire Fund**  
**For the Year Ended March 31, 2005**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes	\$ 96,000	\$ 96,000	\$ 109,529	\$ 13,529
Federal grants	-	-	7,446	7,446
Charges for services	-	-	2,375	2,375
Interest income	1,000	1,000	97	(903)
Other revenue	-	-	1,494	1,494
	<u>97,000</u>	<u>97,000</u>	<u>120,941</u>	<u>23,941</u>
Total revenues				
<b>Expenditures</b>				
Current				
Public safety	36,300	36,300	41,877	5,577
Capital outlay	-	19,700	23,481	3,781
Debt service				
Principal retirement	29,600	29,600	29,574	(26)
Interest and fiscal charges	11,400	11,400	10,197	(1,203)
	<u>77,300</u>	<u>97,000</u>	<u>105,129</u>	<u>8,129</u>
Total expenditures				
Excess of revenues over expenditures	19,700	-	15,812	15,812
Fund balance - beginning of year	<u>41,933</u>	<u>41,933</u>	<u>41,933</u>	<u>-</u>
Fund balance - end of year	<u>\$ 61,633</u>	<u>\$ 41,933</u>	<u>\$ 57,745</u>	<u>\$ 15,812</u>

**Beaver Township**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**March 31, 2005**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
<b>Governmental Activities</b>	5.00%	2006	\$ 100,000	\$ 18,100	\$ 18,100	\$ 136,200
Water Line Extension	5.00%	2007	100,000	15,600	15,600	131,200
Amount of issue - \$ 1,100,000	5.10%	2008	100,000	13,100	13,100	126,200
	5.20%	2009	100,000	10,550	10,550	121,100
	5.20%	2010	100,000	7,950	7,950	115,900
	5.30%	2011	100,000	5,350	5,350	110,700
	5%	2012	100,000	2,700	2,700	105,400
			<u>\$ 700,000</u>	<u>\$ 73,350</u>	<u>\$ 73,350</u>	<u>\$ 846,700</u>
 Fire Truck Loan	3.79%	2006	\$ 30,656	\$ 9,116	\$ -	\$ 39,772
Amount of issue - \$ 335,743	3.79%	2007	31,818	7,954	-	39,772
	3.79%	2008	33,023	6,748	-	39,771
	3.79%	2009	34,275	5,496	-	39,771
	3.79%	2010	35,574	4,197	-	39,771
	3.79%	2011	36,883	2,849	-	39,732
	3.79%	2012	38,254	1,450	-	39,704
			<u>\$ 240,483</u>	<u>\$ 37,810</u>	<u>\$ -</u>	<u>\$ 278,293</u>



To The Township Board  
Beaver Township  
Bay County, Michigan

In planning and performing our audit of the financial statements of Beaver Township for the year ended March 31, 2005, we considered the Township's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated July 8, 2005, on the financial statements of Beaver Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Yeo & Yeo, P.C.*

Midland, Michigan  
July 8, 2005



## **PRIOR YEAR COMMENTS**

### **PASSWORDS FOR QUICKBOOKS**

Presently only one user name is used for QuickBooks and there is no password.

#### **Recommendation**

We recommend that user names and passwords be assigned to all users of the program. This will help prevent unwanted use and provide a record of who records each transaction. In addition user access may be limited to specific areas and what types of entries may be made in order to provide additional control over information on the system.

**This recommendation has not been implemented. We recommend that the Clerk and Treasurer have separate log-ins to the computer system.**

### **FIREMEN'S PAY**

Presently no withholding is being subtracted from firemen's pay. This is in violation of laws and regulations relating to payroll taxes and could subject the Township to fines and penalties.

#### **Recommendation**

We recommend that taxes be withheld from firemen's pay in the future.

**This recommendation has been implemented.**

### **RECEIPTS**

During our audit we noted the following regarding receipts:

1. March 31, 2003 receipts recorded in August of 2003
2. Undated receipts
3. Receipts booked as received from residents

#### **Recommendation**

We recommend that:

1. Receipts be recorded timely.
2. All receipts be dated.
3. Receipts be recorded and given to the individual when a payment is received. Note: This does not include a batch of receipts received from the Building Inspector who has already provided a receipt to the individual taxpayer.

**This recommendation has been implemented.**

## REMITTANCE DEVICES

We noted that stubs from checks received by the Township were not always being retained. This was especially prevalent in the area of State shared revenue.

### **Recommendation**

We recommend that all backup received with a payment to the Township be retained as proof of where the money came from.

**This recommendation has been implemented.**